

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 05 NEW DELHI 007251

SIPDIS

E.O. 12958: DECL: 11/15/2014

TAGS: [PREL](#) [PGOV](#) [PHUM](#) [ENRG](#) [IN](#) [PK](#) [INDO](#) [PAK](#)

SUBJECT: INDIA PLEASED ON INDO-PAK TIES, BUT "DOESN'T EXPECT MIRACLES"

REF: A. NEW DELHI 6924

[1](#)B. NEW DELHI 5796

Classified By: Charge Robert O. Blake Jr, Reasons 1.4 (B,D).

[1](#)1. (C) Summary: India remains upbeat on relations with Pakistan as the pair look toward Round Two of the Composite Dialogue (CD) beginning in late November and extending through early 2005, but is seeking to dampen expectations for breakthroughs on tough bilateral issues such as Kashmir. The decline in terrorist infiltration over the last few months enabled PM Singh to announce a troop reduction in J&K on November 11, paving the way for his November 17-18 trip to the Valley. There is curiosity about a possible Iran-Pakistan-India gas pipeline, although the economic case is questionable. There is also increasing speculation that the December 7-8 meeting to discuss the mechanics of a Srinagar-Muzaffarabad bus route will yield a deal both sides can live with. However, senior GOI officials, led by Foreign Minister Natwar Singh, have cautioned about "expecting miracles." New Delhi will look for forward movement on the 70 plus outstanding CBMs it has proposed. Earlier hopes for a formula to demilitarize the Siachen Glacier have subsided. Although GOI reacted mildly to President Musharraf's October 25 "Iftar musings" on the future of Kashmir, the Indian establishment will not entertain any substantial territorial changes in J&K. End Summary.

Atmospherics Continue to Improve

[1](#)2. (C) Since the end of CD Round One in September, Indian public and private views on ties with Pakistan have continued on a positive trajectory. Pakistan-bashing in the press is much reduced, and there is a widespread sense that incremental progress on some bilateral issues will be possible in the coming months. Institute for Peace and Conflict Studies (IPCS) director Maj. Gen. (Ret.) Dipankar Banerjee called the dialogue "sustainable at the national level, absent a crisis" such as the 2001 attack on the Indian Parliament. Commodore Uday Bhaskar of the MOD-linked Institute for Defense Studies and Analysis (IDSA) predicted that the upcoming series of talks (see expanded schedule para 18) would produce some results because many of the issues on the table are "pragmatic, not political," and do not involve territory. Trade, people-to-people exchanges, and law enforcement cooperation make "win-win scenarios possible."

[1](#)3. (C) The most important improvements in the Indo-Pak relationship have been the decline in terrorist infiltration across the LOC and the ceasefire, which will complete its first anniversary on November 25. Although most Indian commentators credit the LOC fence for this decline, South Block officials stress that the fencing would not have been possible without the ceasefire. A senior security official recently told "The Hindu" that "The evidence on the ground shows that Pakistan is cooperating. Whether such cooperation is long-term or episodic remains to be seen."

Troop Reductions in J&K

[1](#)4. (C) PM Manmohan Singh's November 11 announcement to redeploy an as-yet unspecified number of troops -- press speculation puts the number at some 10-15,000 -- from J&K or within the state has increased expectations that the GOI may have more in store on Kashmir than it has revealed to date. Kashmiri separatists from the moderate faction of the All-Parties Hurriyat Conference (APHC) have welcomed the move, even signaling their willingness to meet with the PM during his November 17-18 visit to the state (as of November 16 no meeting has been confirmed, most likely for security reasons). Couching the redeployment as a response to the decline in infiltration and the success of the LOC fence, GOI officials have also cited the onset of winter as an argument that now is the right time to get the dialogue process with the Hurriyat back on track. This move also addresses one of the APHC's three pre-conditions for dialogue with the GOI (the other two being travel to Pakistan and a reduction in human rights abuses in the state).

Pushing The Pipeline

[1](#)5. (SBU) While some GOI officials have been making the case

in the press that an Iran-Pakistan-India pipeline is in both countries' national interests, the MEA continues to link the pipeline to freeing cross-border trade and/or facilitating transit trade from India to Afghanistan, Iran, and beyond. Lahore-born Indian Petroleum Minister Mani Shankar Aiyar -- who served as India's Consul General in Karachi (1978-82) -- has been personally spearheading the project, aided by his former classmate and friend from Cambridge, Pakistani Foreign Minister Kasuri. Aiyar recently got the nod from the MEA to hold talks with his GOP counterpart at the end of November, and he is planning to bring together industry professionals and bureaucrats from all three countries to a December 15-16 conference in New Delhi. In the meantime, he has been reaching out to others in Delhi to try to increase the momentum for this mega-project.

16. (C) General Banerjee singled out the gas pipeline as a key element in improving Indo-Pakistan relations, because of the magnitude and long-term nature of the endeavor. The generally hawkish Director of the Observer Research Foundation's (ORF) Pakistan Centre, Sushant Sareen, claimed to Poloff that the political constraints on a gas pipeline through Pakistan no longer exist, and that it is now "just a matter of economics." The proposed pipeline would service no more than 10 percent of India's current energy needs. A decade ago, when Pakistan opposed a pipeline proposal, it could have met as much as 60 percent of India's requirement -- which would have involved intolerable risks to India's energy independence. Sareen listed two additional hurdles to the project getting off the ground: 1) shipped LNG benefits from the sunk costs of port facilities already built or being built over the as-yet unpaid costs of the pipeline; and 2) Iran and Pakistan will try to maintain high originating prices and transit fees, which could add to the high financial costs, thus forcing the project into unprofitability. These industry concerns will have to be addressed if the project is to succeed. Mission also has flagged possible ILSA concerns.

17. (C) Sareen dismissed concerns about pipeline security, commenting that insurance, monitoring, redundancy, and gas reserves could easily ensure that any short-term disruption in supply through Pakistan would not interrupt India's energy picture. ORF's Wilson John, a skeptic on rapprochement with Pakistan, told Poloff recently that if the pipeline is built, it would be "as important as the Indus Waters Treaty, or more."

#### Pressure to Drop Trade Barriers

-----

18. (C) A growing number of India-Pakistan private sector conferences dot the calendar, highlighting the growing interest by industry in both countries in opening commercial links and demonstrating readiness to capitalize on potential lower trade barriers. IDSA's Bhaskar predicted that the pipeline deal would likely lead to a large increase in other goods across the border in both directions, whether or not they are formally linked. He held out hope that bilateral trade would be liberalized and normalized, and ticked off several sectors where he thought Pakistani firms could do well in the Indian market: cotton and textiles, buffalo meat ("Pakistan has one of the most advanced animal husbandry industries in Asia"), and selling excess electricity to the states of Punjab and Haryana.

#### Bus Service Looking More Certain

-----

19. (C) Progress may also be possible on the proposed Srinagar-Muzaffarabad bus service when the two sides meet on December 7-8 in New Delhi, according to a number of well-informed local Pakistan watchers. Star TV Diplomatic Editor Jyoti Malhotra, who accompanied PM Singh to New York, recently told Poloff to expect movement on the bus service "sooner rather than later....Manmohan wants it to happen." ORF's Sareen also thought that progress on the bus service was likely, especially because it would further fuel the "people-to-people successes" that have yielded political benefits to both Islamabad and New Delhi.

10. (C) During a recent visit to New Delhi, UK High Commissioner in Islamabad Mark Lyall Grant told us that Islamabad has all but accepted the use of a "special residency document" that would be used in conjunction with a passport for travel across the LOC. The document, but not the passport, would be stamped upon transit. This construct is similar to several that have been favorably aired in the Indian press in recent weeks, which has raised expectations that a deal may ripen for the December 7-8 meeting on the bus service to be held in New Delhi.

#### Speculation Outrunning Reality on Territorial Issues

-----

11. (C) Senior GOI officials have gone to some length to

dampen expectations of a significant breakthrough on Kashmir during PM Singh's upcoming visit to the Valley and the CD Round Two. Despite the positive atmospherics, in recent days Foreign Minister Natwar Singh has repeated the mantra that "There will be no miracle, (but) we are trying our best" in order to control the anticipation of swift and substantial progress on the Composite Dialogue's toughest issues. The Indian establishment's position that any changes on Kashmir's status must be centered on formalizing the LOC as the border remains firm, as summed up by IPCS's PR Chari: "Are the two leaderships preparing their people to accept the inevitability of the LOC being converted into an international border to resolve the Kashmir dispute?" Talk of independence, joint sovereignty or condominium, division among communal lines, or a role for the UN remain non-starters for New Delhi, as "Hindustan Times" Diplomatic Correspondent Saurabh Shukla (who often serves as an MEA mouthpiece) wrote on November 15.

#### Siachen Likely to Remain Frozen

-----

12. (C) Recent Indian press commentary suggests that an early deal to demilitarize the Siachen Glacier is less likely. ORF's Sareen opined that progress would only be possible if, as the GOI has publicly insisted, the Actual Ground Position Line (AGPL) of the current deployment were demarcated in advance, suggesting that New Delhi was prepared to wait until Islamabad agrees to concessions on this issue.

#### Kashmir "Food for Thought" Viewed as Leftovers

-----

13. (C) Relatively few Indian analysts have publicly dismissed President Musharraf's October 25 "Iftar musings" on moving forward on Kashmir (Ref A), although private comments have been more skeptical. Pakistani High Commissioner Aziz Ahmed Khan recently reiterated to an audience at New Delhi's Jamia Millia Islamia University that Musharraf's goal was to "generate discussion and explore possible options." Home Minister Shivraj Patil left Musharraf a face-saving out, telling journalists that New Delhi would consider the idea as a proposal if Islamabad "forwarded it to us formally." PM Singh declined to speculate on how such a proposal would be received, referring to it as an "off-the-cuff remark" while maintaining that "J&K is an integral part of India and not a matter for discussion with outside agencies."

14. (SBU) In a November 16 report, well-connected "Times of India" Foreign Affairs correspondent Indrani Bagchi noted that if the substance of Musharraf's "musings" should arise in formal bilateral discussions, "they will not fly." Bagchi held that the MEA's "remarkable quiet" on the matter suggests that South Block is expecting Islamabad to float fresh positions on J&K soon.

15. (SBU) Indian analysts have predictably praised Musharraf for backing off from Islamabad's perennial call for a plebiscite among Kashmiris to determine the fate of the region. "Hindu" strategic commentator Siddharth Varadarajan used Musharraf's trial balloon to examine past and present territorial disputes (Andorra, Northern Ireland, the Aland Islands, South Tyrol, Gibraltar, the Basque region, New Caledonia, and the Sami region in Scandinavia), concluding that although "none of these examples offers a complete set of principles for the resolution of the Kashmir dispute, many individual elements are attractive." Even as Kashmir specialist AG Noorani belittled this proposal, he strongly supported Musharraf's efforts to replace a plebiscite with new and creative proposals for resolving the Kashmir issue.

16. (C) Describing Musharraf's trial balloon "a mish-mash of the Kashmir Study Group, the JKLF's proposal, the Owen-Dixon plan, and a handful of other ideas all rolled together," Sareen reasoned that such a plan might be possible in a few decades, if both sides can get away from the old baggage, but not now. He stressed that the GOI had not criticized the ideas publicly, to avoid putting Musharraf in an awkward position. The real issue for India is cross-border terrorism, he stated. The UK's Lyall Grant observed to us that from Islamabad's perspective, PM Singh had not dismissed the concept of making an adjusted LOC into a permanent border. Lyall Grant also conveyed his impression that Singh "wants to fix Indo-Pak relations," which will remain as a GOI policy priority.

17. (SBU) Some New Delhi-based Pakistan watchers have been more hesitant to give Musharraf the benefit of the doubt. Institute for Conflict Management's anti-terrorist hawk Ajay Sahni brushed the proposal aside, calling it "both arbitrary and nonsensical." This degree of dismissal, however, appears to be the minority viewpoint at the moment.

#### The Schedule Keeps Filling Up

-----

¶18. (U) Official and unofficial Indo-Pakistan meetings through the end of the year, including Round Two of the Composite Dialogue (CD), are as follows:

November 23-24 (New Delhi): Pakistani PM Aziz to visit in his capacity as outgoing SAARC Chairman. This will be the first meeting between the PMs of India and Pakistan since the 1999 Lahore Summit. Aziz will also likely meet Kashmiri separatist leaders, President Kalam, and UPA President Sonia Gandhi.

November 29-30 (New Delhi): Meetings between narcotics control authorities (CD).

Late November (dates and venue TBD): Petroleum ministers to discuss Iran-Pakistan-India gas pipeline.

December 2-3 (Islamabad): Meeting between railways authorities on the Munnabao-Khokhrapar rail link (CD).

December 3-4 (New Delhi): Meeting between the Indian Coast Guard and the Pakistani Maritime Security Agency. Agenda includes discussing an MOU for establishing a communications link (CD).

December 5-11: (Patiala, India): Indo-Pakistan Punjab Games.

December 7-8 (New Delhi): Discussion of "all issues" relating to beginning a bus service between Srinagar and Muzaffarabad, including presumably what documentation will be required for Kashmiris crossing the LOC (Ref B)(CD).

December 9-10 (New Delhi): Meeting of the Committee of Experts regarding trade issues (CD).

December 14-15 (Karachi): Joint survey of the boundary pillars in the horizontal section of the Sir Creek area (CD).

December 14-15 (Islamabad): Expert-level meeting on nuclear confidence-building measures, including discussion on a draft agreement for prior notification of missile tests (CD).

December 15-16 (Islamabad): Expert-level meeting on conventional CBMs (CD).

December 15-16 (New Delhi): Conference on "Iranian Gas Export to Pakistan and India," to include officials from the petroleum ministries of all three countries.

January 9-11 (Dhaka): SAARC Summit.

Proposed but not scheduled: Convening a Joint Working Group to combat music and video piracy.

Comment  
-----

¶19. (C) The upbeat mood in India is based on continuing low infiltration levels, increased people-to-people exchanges, good atmospherics at recent high-level meetings, and restrained Pakistani public statements. From the New Delhi perspective, ties with Islamabad are beginning to acquire the semblance of normality, with sparring at a minimum. Productive engagement appears to be possible in a number of areas, although difficult decisions remain. Both New Delhi and Islamabad need to continue to work for incremental progress and increased mutual trust, while managing expectations to prevent a blowout if the sides do not achieve as much as the optimists seek. We have seen nothing to suggest that any element of the Indian establishment is prepared to consider the sort of territorial compromise -- or dual control -- that is suggested in President Musharraf's recent remarks.  
BLAKE